



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Management Advisory Report

Single Audit of the State of New
Mexico Public Education
Department for the Fiscal Year
Ended June 30, 2011

A-77-13-00013 | August 2013

MEMORANDUM

Date: August 7, 2013

Refer To:

To: The Commissioner

From: Inspector General

Subject: Single Audit of the State of New Mexico Public Education Department for the Fiscal Year Ended June 30, 2011 (A-77-13-00013)

The attached final report presents the Social Security Administration's (SSA) portion of the single audit of the State of New Mexico Public Education Department for the Fiscal Year ended June 30, 2011. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

We generally issue Management Advisory Reports on single audits to the Senior Advisor of SSA's Records Management and Audit Liaison Staff, who then works with the appropriate regional office to resolve the findings. However, this single audit identified a material indirect cost finding that I want to bring to your attention as it represents a potentially serious financial control problem for the Agency. Specifically, the State of New Mexico Public Education Department's Division of Vocational Rehabilitation (DVR) overbilled the New Mexico Disability Determination Services (DDS) \$1.4 million in indirect costs. Because of the overbillings, the DDS drew down excess Federal funds from the Department of the Treasury. We are recommending that SSA ensure it received credit for the \$1.4 in improper cash draws and that proper accounting controls were implemented to prevent future overbillings.

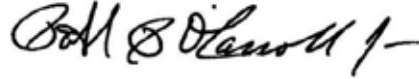
In prior audits, we have reported findings related to the New Mexico DDS's indirect costs and accounting controls. In September 2009, we reported that the New Mexico DVR allocated costs to the New Mexico DDS from three indirect cost pools in amounts that were not equitable considering the relative benefit received.¹ As a result, SSA reimbursed excess indirect costs allocations. In September 2008, we reported that New Mexico DVR could not provide detailed accounting records to support approximately 15 percent of the New Mexico DDS' administrative costs claimed for reimbursement in Fiscal Year 2006.² Consequently, we could not determine whether the costs claimed by the DDS were allowable and properly allocated. This single audit as well as prior audits indicate the New Mexico DVR has a history of passing problematic costs to SSA and lacks proper accounting controls.

¹ SSA OIG, *Indirect Costs Claimed by the New Mexico Disability Determination Services* (A-06-09-19122), September 2009 (<http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-06-09-19122.pdf>).

² SSA OIG, *Administrative Costs Claimed by the New Mexico Disability Determination Services* (A-06-08-18034), September 2008 (<http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-06-08-18034.pdf>).

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Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in black ink, appearing to read "Pat O'Carroll Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Attachment

cc:

Gary S. Hatcher

Lynn Bernstein

**Single Audit of the State of New Mexico Public Education
Department for the Fiscal Year Ended June 30, 2011
A-77-13-00013**



August 2013

Office of Audit Report Summary

Objective

To report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to Social Security Administration (SSA) for resolution action.

Background

Moss Adams LLP conducted the single audit of the State of New Mexico Public Education Department. SSA is responsible for resolving single audit findings related to its Disability Insurance program. The State of New Mexico Public Education Department's Division of Vocational Rehabilitation (DVR) is the New Mexico Disability Determination Services' (DDS) parent agency.

Findings

The single audit reported that DVR:

- Overbilled the DDS \$1.4 million in indirect costs because it did not perform monthly account reconciliations.
- Did not follow established policies and procedures to ensure vendors are not suspended or debarred.
- Did not consistently follow established internal control policies for reviewing and approving Federal cash draws.

We recommend that SSA:

1. Confirm that it received credit for the \$1.4 million in improper cash draws.
2. Verify that DVR implemented proper accounting controls to prevent overbillings to the DDS including the performance of monthly account reconciliations.
3. Confirm that DVR is following its established policies and procedures for ensuring vendors are not suspended or debarred.
4. Verify that DVR is following its established policies for reviewing and approving cash draws.

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ABBREVIATIONS

DI	Disability Insurance
DDS	Disability Determination Services
DVR	Division of Vocational Rehabilitation
ED	Department of Education
OIG	Office of the Inspector General
SSA	Social Security Administration
SSI	Supplemental Security Income
VR	Vocational Rehabilitation

OBJECTIVE

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of New Mexico Public Education Department for the Fiscal Year ended June 30, 2011.¹ Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

BACKGROUND

Moss Adams LLP conducted the audit. We have not received the results of the desk review conducted by the Department of Education (ED). We will notify SSA when we receive the results if ED determines the audit did not meet Federal requirements. In reporting the results of the single audit, we relied entirely on the internal control and compliance work performed by the Moss Adams LLP and the reviews performed by ED. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

For single audit purposes, the Office of Management and Budget assigns Federal programs a Catalog of Federal Domestic Assistance (CFDA) number. SSA's Disability Insurance (DI) and Supplemental Security Income (SSI) programs are identified by CFDA number 96. SSA is responsible for resolving single audit findings reported under this CFDA number.

The New Mexico Disability Determination Services (DDS) performs disability determinations under SSA's DI and SSI programs in accordance with Federal regulations. The DDS is reimbursed for 100 percent of allowable costs. The State of New Mexico Public Education Department's Division of Vocational Rehabilitation (DVR) is the New Mexico DDS' parent agency.

RESULTS OF REVIEW

The single audit reported that DVR:

- Overbilled the DDS \$1.4 million in indirect costs because DVR did not perform monthly account reconciliations. Because of the overbillings, the DDS drew down excess Federal funds from the Department of the Treasury. The corrective action plan indicated DVR developed a process to perform monthly account reconciliations to ensure accurate balance sheet, revenue, and expenditure accounts.²

¹ Moss Adams LLP, *State of New Mexico Public Education Department, Single Audit, June 30, 2011*.

² Id. at finding 11-01.

- Did not follow established policies and procedures to ensure vendors are not suspended or debarred. The corrective action plan indicated that the contract manager will perform a verification of suspended or debarred contractors using the Excluded Parties List System and retain a copy of the verification in the agency's contract file.³
- Did not consistently follow established internal control policies for reviewing and approving Federal cash draws. The corrective action plan indicated DVR staff will ensure all proper approval signatures are obtained before requesting cash draws of Federal funds.⁴

The single audit also disclosed that DVR did not have a process to reconcile the vocational rehabilitation grant (VR) expenditures to cash draws, resulting in over draws and over billings to the VR program.⁵ This finding may impact the DDS's operations, although it was not specifically identified to SSA. I am bringing this matter to your attention as it represents a potentially serious service delivery and financial control problem for the Agency.

RECOMMENDATIONS

We recommend that SSA:

1. Confirm that it received credit for the \$1.4 million in improper cash draws.
2. Verify that DVR implemented proper accounting controls to prevent overbillings to the DDS including the performance of monthly account reconciliations.
3. Confirm that DVR is following its established policies and procedures for ensuring vendors are not suspended or debarred.
4. Verify that DVR is following its established policies for reviewing and approving cash draws.

³ Id. at finding 11-04.

⁴ Id. at finding 11-05.

⁵ Id. at finding 11-02.

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